



**Canadian Stewardship
Services Alliance**

Report to Stewards

2020 Annual Steward Meeting
October 21, 2020



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2020 Annual Steward Meeting

The Annual Steward Meeting (ASM) is supported, hosted, and organized by CSSA on behalf of the stewardship programs, and will be held on Wednesday, October 21, via Zoom webcast.

Registration for the webcast can be done at www.cssalliance.ca/2020asm. The web page will also include this Report, the presentation slides and other resources. An archived version of the webcast and submitted questions and answers will be posted in the days after the meeting.

Local times for the ASM:

British Columbia: 10:00 - 12:00 p.m. PDT

Saskatchewan: 11:00 - 1:00 p.m. CST

Manitoba: 12:00 - 2:00 p.m. CDT

Ontario: 1:00 - 3:00 p.m. EDT

This year's agenda includes...

- Executive Chair John Coyne and Managing Director David Pearce updating circular economy progress and Canada's EPR landscape.
- Program reviews and fee previews: Detailed program and financial performance reviews for Recycle BC, MMSW, MMSM and Stewardship Ontario will include information on 2021 budgets and fees.
- Have your say: All attendees are invited to submit questions and respond to poll questions during the ASM webcast.



This year's ASM will be presented via Zoom

CSSA Review and Outlook

The 2020 Annual Steward Meeting (ASM) marks the eighth year of bringing together stewards to consider the progress of packaging and paper recycling programs across the country, while providing a preview of next year's material fee rates.

Policy Changes for 2021

The temporary change announced in April to assist those stewards unable to meet payment deadlines will end December 31, 2020. The extended 90-day grace period for the application of interest will return to 30 days per the Penalty and Interest Policy, beginning with invoices issued in January 2021. CSSA thanks stewards for continuing to make invoice payments during COVID-19 business disruptions.

Deduction and Exclusion Policy: Following two years of working with stewards to refine data and verification requirements for claiming deductions from their annual reports of material quantities, the program boards approved a draft policy for steward consultation. The introduction of the new policy will provide further clarity around “exclusions” and “deduction” definitions, scope, and substantiation of materials not entering the residential waste stream. The guiding language in the policy is identical to the guidance provided in the Guidebook for Stewards. Questions and feedback about the draft policy should be sent to deductions@cssalliance.ca by November 13, 2020. Steward comments will be considered by the program boards in December as part of their final review and approval of the policy.

For 2021, minor changes have been approved for the Policy for Steward-Initiated Adjustment Requests and the Dispute Resolution Policy, as well as the Membership Agreements for Recycle BC and MMSW and the Rules for MMSM and Stewardship Ontario.

As part of the wind up activities for Stewardship Ontario's MHSW Program and the transition of the Blue Box Program, separate versions of Stewardship Ontario policies have been created to include consideration for wind up and transition requirements.

Policies, Rules and Membership Agreements are available at www.cssalliance.ca/rules/.

2020 Reporting Recap

To assist stewards in managing business disruptions due to the COVID-19 pandemic, the 2020 reporting deadline was extended by 60 days to July 31. This was also the first year for reporting via the upgraded WeRecycle Portal.

CSSA and the programs appreciate the efforts by stewards to submit their reporting data on time. We also appreciate the positive feedback about the Portal upgrade. Along with a modern look and more intuitive navigation, the upgrade added on-screen guidance to the secure online hub and an option for live chat with National Steward Services. Stewards continue to provide input on future enhancements for the Portal and will be kept informed of upcoming upgrades.

E-commerce Update

CSSA is completing the second and third phases of its research effort to explore potential solutions to the growing volume of packaging and paper material coming from “non-resident” e-commerce retailers. The research objective is to identify options for making these companies pay their share of recycling costs and level the playing field for resident retailers.

Phase one of the research provided an overview of strategies and tactics for e-commerce being used by Extended Producer Responsibility (EPR) packaging programs around the world. The second and third phases are developing Canadian data on the volumes and sources of e-commerce packaging materials and gathering perspectives on potential obligation options and enforcement strategies.

The timing for phase three's recommendations on achieving greater compliance in Canada has been moved to 2021 due to a change in research partner. Along with developing options for enhancing or replacing EPR financing mechanisms to better ensure all obligated goods and materials are reported and paid for by the appropriate parties, work in this phase includes identifying economic and legal experts to assess the options.

Plastic Waste Initiatives

CSSA continues to monitor and participate in a range of policy efforts to help prevent plastic pollution. The following summarizes some current initiatives:

Single-use Plastics Ban: The federal Minister of Environment and Climate Change recently announced that certain single-use plastics items will be banned by late 2021. The items include plastic straws, stir sticks, carry-out bags, plastic rings on cans and food take-out containers made of expanded polystyrene. The federal government also posted a [discussion paper](#) that considers a range of regulatory and non-regulatory instruments to manage plastics, ranging from bans to national guidelines for standardized EPR programs, performance goals, and recycled content requirements for producers. Comments on the paper are due December 10, 2020, and CSSA intends to submit its support for consistent, harmonized EPR policies across Canada.

Canada Plastics Pact: Announced by the Circular Economy Leadership Coalition and the Ellen MacArthur Foundation on October 1, the CPP is an inclusive, national platform that encourages participants in the plastics value-chain to support a common vision and goals aimed at reducing plastic waste at source. More information is available at plasticspact.ca.

Performance Progress on Plastics Targets in BC: In partnership with Recycle BC, CSSA committed to ambitious format-specific plastics targets as a signatory to the Ellen MacArthur Foundation's New Plastics Economy Global Commitment. A joint [progress report](#) provides details on efforts to achieve these targets.

CSSA Executive Chair

Maintaining Momentum Amid Disruption

COVID-19 has emerged as the defining issue and focus for our lives and our livelihoods for the foreseeable future. It has required that we quickly shift our priorities as we focus on families, communities, the climate and navigate new ways of working.

COVID-19 has also had a huge impact on businesses – some thriving as consumer demand for household staples has exploded, while others suffer through an economic shutdown. We have seen a shift in consumer purchasing habits with a tremendous increase in online commerce. There is growing concern that this shift will erode progress on addressing plastic and packaging waste.

I am cautiously confident that action on plastic pollution gained enough momentum pre-pandemic that there is no going back. As the 'Build Back Better' movement demonstrates, there is a lot of passion for tackling plastic waste, climate change and other environmental issues. Businesses are not backing away from their commitments to reduce waste and now we need open and honest dialogue with policy makers at all levels to explore outcome-based approaches to solving the challenges before us. The federal government has identified what it believes to be harmful single-use plastics to be banned by 2021. But bans contribute little to solving the plastic pollution problem. Rather, we need a systemic solution that challenges the very notion of waste -- a system where producers are incented to design materials for a circular economy, in which we no longer rely on the extraction of virgin resources but work instead on obtaining maximum value from the materials already in circulation.

An essential element of this circular future is a regulatory framework that harmonizes the manner in which producers assume responsibility for their materials, accompanied by strong compliance efforts. In short, we need a foundation built on efficiency and fairness.

We have been talking about building a circular economy in Canada for several years. Now we are looking for governments at all levels to work effectively with producers to develop a robust and practical policy framework that respects jurisdictional responsibilities and helps keep consumer costs down. We can and should learn from the events of 2020 and make 2021 a watershed for embedding circularity into our supply chains and our products.



John Coyne

CSSA Managing Director

EPR from Coast to Coast

Governments across Canada are actively pursuing policy objectives to reduce waste and pollution in support of broader climate change initiatives, including Extended Producer Responsibility for packaging and paper. CSSA and the programs it supports continue to monitor and engage with provincial regulators as they seek to introduce EPR or enhance existing efforts. Our objective is to support producers by promoting harmonization and standardization as much as possible.

Prior to the COVID-19 pandemic, a number of provinces were either considering or preparing to hold EPR consultations. Municipal governments tend to be key drivers of EPR and this is likely to increase as their financial positions weaken due to the pandemic and they seek ways to ease their cost burdens. At the same time, numerous producers have made commitments to reduce their packaging footprint and use more recycled materials.

Against this backdrop, here are brief summaries of the current state of packaging EPR from coast to coast:

British Columbia: Recently announced amendments to the Recycling Regulation will include single-use and packaging-like products as designated materials beginning in 2023. In approving the 2019 Program Plan, along with higher performance targets, the province added a number of requirements to increase collector payments and provide additional services. Some of these requirements have been deferred in recognition of the COVID-19 disruption to businesses.

Alberta: Alberta municipalities have been advocating for an EPR program modeled on Recycle BC. Earlier this year, the Alberta Collaborative EPR Study (ACES) steering committee, made up primarily of municipalities and including CSSA, published a report to help inform the design of a provincial EPR program. While the government has not signaled if or when it will adopt an EPR framework for packaging and paper it has recently stated that recycling is part of the province's economic diversification strategy.

Saskatchewan and Manitoba: Both provinces are considering transition to full producer responsibility from the current shared models. Timelines and details have not been released.

Ontario: The transition of the Blue Box Program to an individual producer responsibility model was initiated in August 2019. The government has held extensive stakeholder consultations, culminating in the expected release of a draft regulation in the coming days. Responsibility for delivering Blue Box services will transition to producers over three years starting in 2023.



David Pearce

Quebec: A bill was tabled this year to modernize the residential recycling system, including expanding deposits and updating municipal and producer responsibilities for collection and post-collection activities beginning in 2022.

Atlantic: Each of the four provinces generally supports a harmonized regional approach to packaging EPR. Draft New Brunswick regulations are anticipated next year and Nova Scotia municipalities continue to encourage the province to implement EPR. PEI and NL are likely to align as the others move forward.

We are in the midst of a policy shift that will support the development of circular economies and responsible resource management. Effectively implemented, EPR will serve as a critical enabler to organizations seeking to improve access to recycling for their packaging and paper products across Canada and provide feedstock to those wishing to incorporate post-consumer recycled content into their manufacturing processes.

As policies continue to evolve to address the needs of our environment and economy, we at CSSA remain unwavering in our commitment to deliver clear value to producers through efficient administrative and management services common to all programs, reducing the regulatory and administrative burden on Canadian businesses. Our systems and processes have been intentionally designed to be scalable to meet the growing demands of regulators and to deliver exceptional service to producers.

We look forward to continuing to support producers and programs through these changing times.

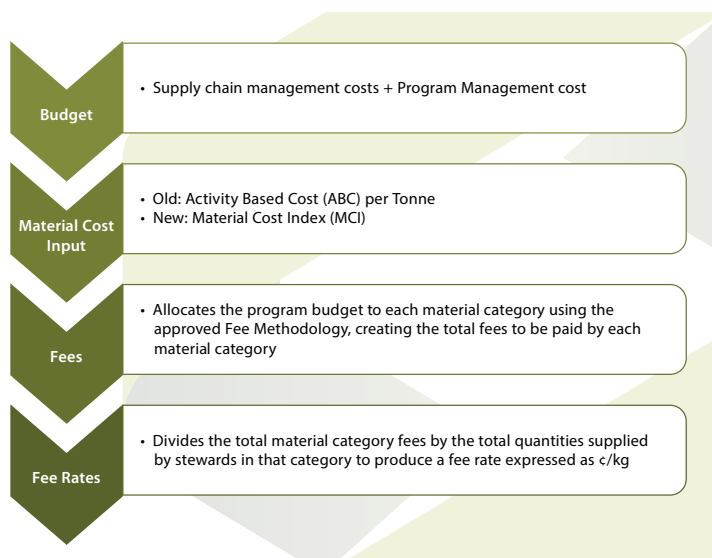
2021 Budget and Fee Overview

Budgets for 2021 are increasing across all programs by varying amounts. These increases reflect both the unique conditions of each program, such as their regulatory obligations, and common drivers such as the state of the commodity market and its negative impact on the revenue earned from the sale of their recyclables.

The most significant component of the program's budget is the cost to manage the recycling systems, or supply chains. Budgets also include the costs to manage the programs and to deliver on promotion and education objectives.

To determine the recycling system budgets for British Columbia and Saskatchewan we reference their commercial contracts with collection and post-collection service providers. For Ontario and Manitoba, recycling system budgets are based on submitted municipal costs once they have undergone a verification process.

Depressed commodity markets, primarily from the China Ban on imports that took effect at the beginning of 2018, continue to be factor in recycling system budgets because commodity revenues offset collection and post-collection costs. When commodity revenues fall, overall system costs increase. The timing of commodity price impacts is slightly different for each program. Recycle BC is subject to market prices in real time, while Stewardship Ontario and MMSM use a rolling three-year average of commodity prices. While markets have stabilized somewhat from two years of decreased prices, there are moderate to significant regional variations across Canada.



Approved program budgets provide an important input to the fee setting process. Fee setting also requires a determination of each materials' impact on the cost of recycling system activities through a material cost input. Previously, fees were set using Activity Based Cost (ABC) as the input. Fees for 2021 begin to introduce the new Material Cost Index (MCI), calculated using the new Material Cost Differentiation (MCD) methodology.

Phased MCD Implementation for Fees

Following strong steward representation and support for the MCD methodology during the recent consultation process, program boards approved the phased implementation of the MCI for setting 2021

material fees. (The methodology for Stewardship Ontario fee rates will require approval by the Resource Productivity and Recovery Authority and amendment of the program Rules.)

It is important to note that the MCD methodology provides better and more reliable data for differentiating material cost impacts in the recycling system, resulting in a fairer and more accurate allocation of program costs among material categories. MCD does not change the program budget and therefore does not affect the total fees paid by stewards.

The MCD methodology produces a Material Cost Index and each material has a value on this index. The lower the MCI value, the lower the impact on the cost of the recycling system activities and vice versa. The MCI is a key input to setting fees and is intended to fully replace the ABC cost/tonne used in Step One of the Four-Step Fee Methodology.

2021 fees were calculated using 50% MCI and 50% ABC in the program's approved fee setting methodology. As a result fee rates for some material categories increase significantly above the average fee rate increase, while others will have lower than average increases, or decrease. Further shifts amongst categories can be expected as MCI is fully implemented.

As noted during consultations, MCI values cannot be used to infer whether a material's fee rate will be high or low. Low MCI values do not imply low fee rates. Fee rates can only be known once the MCI value is used in the Four-Step Fee Methodology, where the program's mix of supplied and managed quantities are introduced and the material's unique commodity value are considered. Fee rates for each material are calculated by dividing the total fees for each material category calculated by the fee methodology by the total quantity of the material supplied by stewards.



The MCD project was initiated in 2017 and driven by a number of factors including: ABC's inability to satisfy steward priorities; ongoing challenges of regularly collecting data that is typically private and confidential; and the evolution of materials and recycling systems since ABC was created more than a decade ago. MCD builds on the work of the Four-Step Fee Methodology principle that each material's specific cost impact should continue to be a key input to setting fees. Background information and details about MCD are available at www.cssalliance.ca/mcd/.

2019 Review

In its fifth full year of operation, Recycle BC achieved a 78.2% recovery rate for 2019, surpassing the required 75% rate. Recycling performance metrics were consistent with the previous year and the program surpassed one million total collected tonnes since it began operating the province's recycling program for residential packaging and paper.

Total steward cost for managing the Recycle BC program in 2019 was \$101.2 million, a 14.1% increase from the previous year. The increase is due to service expansion and reduced commodity revenues.

Recycle BC's revised five-year Packaging and Paper Product Extended Producer Responsibility Plan was approved by the Ministry of Environment and Climate Change Strategy (MOECCS) in June 2019. The new Program Plan establishes

requirements for more ambitious recovery targets, expanded accessibility and reporting enhancements.

Six communities (City of Merritt, District of Hope, District of Logan Lake, District of Sechelt, District of Barriere, Township of Spallumcheen) were onboarded for Recycle BC curbside service in 2019. Four First Nation communities began participating in Recycle BC through curbside service expansion (Ahousaht First Nation, Splatshin First Nation, Kwikwetlem First Nation and Snaw-naw-as (Nanose First Nation)). The Recycle BC collection network also added 11 new depots.

Recycle BC continued to explore collector partnership opportunities including the First Nations Recycling Initiative, a partnership that now brings together nine other stewardship organizations, to increase recycling access and participation in First Nations communities.

RECYCLE BC PERFORMANCE			
METRIC	2019	2018	YOY VARIANCE
RECYCLING PERFORMANCE			
Gross Tonnes Collected	207,411	206,778	0.3%
Net Tonnes Collected*	185,692	183,983	0.9%
Supplied Tonnes	237,582	235,655	0.8%
Recovery Rate*	78.2%	78.1%	0.1%
Provincial Recovery Target	75.0%	75.0%	0.0%
Population Served by PPP Program**	4,587,000	4,578,000	0.2%
Recovered kg per capita	40.5	40.2	0.7%
ACCESSIBILITY PERFORMANCE			
# Households Served**	1,854,681	1,850,000	0.3%
% Households with Access to PPP Program**	98.6%	98.3%	0.3%
P & E Cost per capita	\$0.57	\$0.58	-1.3%
% of residents aware and using recycling services	97%	95%	2.0%
COST PERFORMANCE			
Net Tonnes Collected*	185,692	183,983	0.9%
Net Cost	\$101,236,146	\$88,728,670	14.1%
Net Cost per Tonne	\$545	\$482	13.0%
Net Cost per Capita	\$22	\$19	13.9%

* Net tonnes collected and recovery rate reflect the exclusion of tonnes collected by Recycle BC on behalf of other stewardship programs for reporting in their annual reports

** Represents access to curbside, multifamily and/or depot service; 2018 household % restated

2020 Update

Recycle BC's performance has been maintained throughout the COVID-19 pandemic. Although there were some temporary closures of a small number of depots, curbside collection remains strong.

In May, Recycle BC launched an enhanced post-collection network, with services contracted to GFL Environmental Inc. (which acquired Canada Fibers Ltd in 2019). Services delivered by GFL include the transportation, processing, marketing and reporting of materials collected across British Columbia. Our post-collection services are supported by a sophisticated 38-facility network that provides successful end-of-life management of materials and a partnership focused on improved environmental outcomes and value for our program.

Amendments to the Recycling Regulation announced in September will change the materials to be included in annual steward reports. Milk and milk substitutes will be transferred to deposit effective February 2022. Single-use and packaging-like materials will be designated materials beginning in 2023. Further information is available on the [Recycle BC website](#) and stewards will be kept informed as implementation planning for these changes proceeds.

The First Nations Recycling Initiative (FNRI) marked its fourth year of operation in 2020. FNRI is dedicated to supporting community collection events, raising awareness of the initiative, and offering resources to encourage and support recycling of a number of materials including PPP.

Recycle BC partnered with CSSA to establish the Centre for Material Intelligence (CMI) in Surrey. CMI is a purpose-built facility designed to enable a more in-depth and detailed examination of material composition and characteristics. This one-of-a-kind facility provides a province-wide view of all materials collected in Recycle BC's program. The work done at CMI is aimed at advancing recycling operations and will provide valuable insights to maximizing the value of collected materials.

Recycle BC assumed direct responsibility for curbside and multifamily recycling collection for the City of North Vancouver, District of North Vancouver and District of West Vancouver in 2020, increasing the number of households Recycle BC services directly.

2021 Budget and Fee Schedule

2021 Budget

Recognizing the financial challenges many stewards are facing due to the COVID-19 pandemic, and following extensive engagement with the Ministry of Environment and Climate Change Strategy, Recycle BC successfully negotiated postponement of some required program plan commitments. The anticipated total value of the budget relief for 2021 is more than \$10 million, and includes deferred costs for initiatives such as collection of materials from public spaces, expansion of curbside service to smaller and more rural communities and targeted expansion of multi-family building service.

Recycle BC's program budget for 2021 is a 2.5% increase from 2020, reflecting stability in supply chain management. The \$134.4 million fee budget represents a 10.9% increase from the previous year because \$10 million in surplus funds were used to mitigate budget increases in 2020 and no surplus is being applied for 2021.

Recycle BC experiences commodity revenue fluctuations in real time, so the 2021 budget and fee rate increase reflects currently known and forecasted market conditions. While commodity markets have stabilized somewhat after two years of decreasing prices from the China Ban on imports that took effect at the beginning of 2018, market prices generally remain low. Our post-collection network's advanced technology and processing capabilities means more material is recycled in BC and the Pacific North West, and high-quality materials enable us to maximize value of materials in extremely competitive North American recycling markets.

RECYCLE BC BUDGET			
	2021	2020	YOY VARIANCE
OBLIGATION SHARE	100%	100%	
Supply Chain Costs	\$124,953,313	\$121,299,311	3.0%
Promotion & Education	\$2,000,000	\$2,620,000	-23.7%
Program Management	\$7,411,140	\$7,185,593	3.1%
Program Management as % of total fees	5.5%	5.9%	-0.4%
Total Costs (before surplus)	\$134,364,453	\$131,104,904	2.5%
Surplus Accumulation / (Drawdown)	\$ -	\$(10,000,000)	-100.0%
TOTAL FEE BUDGET	\$134,364,453	\$121,104,904	10.9%

2021 Fee Schedule

Recycle BC fee rates for 2021 increase an average of 11% from the previous year, consistent with the increased fee budget and largely because surplus funds are not being applied for 2021.

2021 fee rates introduce the phased implementation of the Material Cost Index (MCI) for allocating program budgets to material fee categories. Material fee rates are based on 50% MCI and 50% Activity Based Costing (ABC) as an input to Step One of the Four-Step Fee Methodology. The most significant driver of change in the fee schedule is the introduction of the MCI.

With the partial introduction of MCI, fee rates for some material categories (primarily printed paper and glass) increase significantly above the average fee rate increase. Other materials (plastics and some paper packaging) see lower than average increases, or decrease. Further shifts amongst categories can be expected as MCI is fully implemented.

Low volume and flat fee rates for stewards supplying between 1,000 and 15,000 kg increase 10% to 12% from 2020.

RECYCLE BC FEE SCHEDULE (CENTS/KG)				
Category	Material	2021 Fee Rates (cents/ kg)	2020 Fee Rates (cents/ kg)	Variance %
PRINTED PAPER	Newsprint	29.00	16.00	81.3%
	Magazines and Catalogues	37.00	26.00	42.3%
	Telephone Books	37.00	26.00	42.3%
	Other Printed Paper	37.00	26.00	42.3%
PAPER PACKAGING	Corrugated Cardboard	43.00	36.00	19.4%
	Boxboard	43.00	36.00	19.4%
	Gable Top Cartons	72.00	83.00	-13.3%
	Paper Laminates	72.00	83.00	-13.3%
	Aseptic Containers	72.00	83.00	-13.3%
PLASTICS	PET Bottles	76.00	77.00	-1.3%
	HDPE Bottles	76.00	77.00	-1.3%
	Plastic Film	113.00	112.00	0.9%
	Plastic Laminates	140.00	141.00	-0.7%
	Polystyrene	113.00	112.00	0.9%
	Other Plastics	113.00	112.00	0.9%
STEEL	Other Steel Packaging	40.00	30.00	33.3%
	Steel Aerosols	40.00	30.00	33.3%
	Steel Paint Cans	40.00	30.00	33.3%
ALUMINUM	Aluminum Food & Milk Containers	61.00	56.00	8.9%
	Other Aluminum Packaging	61.00	56.00	8.9%
GLASS	Clear Glass	28.00	17.00	64.7%
	Coloured Glass	28.00	17.00	64.7%

2021 Low-Volume and Flat Fees

RECYCLE BC LOW-VOLUME AND FLAT FEES			
TOTAL SUPPLIED (KG)	2021	2020	YOY VARIANCE
1,000 - 2,499	\$1,000	\$900	\$100 or 11%
2,500 - 5,000	\$2,300	\$2,100	\$200 or 10%
5,000 - 10,000	\$5,600	\$5,000	\$600 or 12%
10,000 - 15,000	\$9,400	\$8,500	\$900 or 11%

2019 Review

In its fourth full year of operation, MMSW continued to collect and manage recyclables through service agreements with more than 500 municipalities, regional waste authorities and First Nations communities who provide collection, processing and marketing services for Waste Paper and Packaging (WPP). In 2019, the program provided ongoing training for its top collectors to enable them to collect the data required for MMSW to report on end of life for collected materials.

MMSW achieved a recovery rate of 77.4% for 2019, an increase from the previous year.

The process of updating the collector payment model continued in 2019 with further studies of Saskatchewan supply-chain expenses. Cost studies are significant undertakings that require multiple engagements and reviews. The net cost increase from 2018 reflects increased payments to collectors under the model.

MMSW PERFORMANCE			
METRIC	2019	2018	YOY VARIANCE
RECYCLING PERFORMANCE			
Collected Tonnes	41,945	42,352	-1.0%
Supplied Tonnes	54,209	60,427	-10.3%
Recovery Rate	77.4%	70.1%	7.3%
Population Serviced by PPP Program*	902,402	852,331	5.9%
Recovered kg per capita	46.5	49.7	-6.5%
ACCESSIBILITY PERFORMANCE			
# Households Serviced*	365,345	362,506	0.8%
% Households with Access to PPP Program*	84.4%	83.8%	0.6%
P & E Cost per capita	\$0.06	\$0.02	221.8%
COST PERFORMANCE			
Collected Tonnes	41,945	42,352	-1.0%
Net Cost	\$10,617,712	\$6,040,044	75.8%
Net Cost per Tonne	\$253	\$143	77.5%
Net Cost per Capita	\$12	\$7	66.0%

* Represents access to curbside, multifamily and/or depot services

2020 Update

With COVID-19 resulting in improper disposal of personal protection items, MMSW developed promotion and education materials to support collectors in reducing contamination and higher amounts of hazardous materials in residential Blue Boxes

The program is working with collectors to ensure they are prepared to report on the greenhouse gases (GHG) associated with the program's collection and recycling of residential waste packaging and paper. By January 31, 2021, all MMSW collectors will be required to submit 2020 operational data related to GHG emissions in order to support MMSW's Stewardship Plan requirements.

In accordance with Section 4.4.5 of the Waste Paper and Packaging (WPP) Stewardship Plan, MMSW completed cost study work to understand Saskatchewan specific costs to manage the recycling system. The study's progress and outcomes were overseen by the MMSW Advisory Committee, which represents stewards, urban and rural municipalities, regional waste authorities and the Saskatchewan Waste Reduction Council. The Advisory Committee recommended a payment increase based on the study findings and, in recognition of the business disruptions caused by COVID-19, the MMSW Board approved a phased approach for implementing these increases. Payments to local governments will increase over a two-year period.

2021 Budget and Fee Schedule

The 39.1% increase to the 2021 budget is driven primarily by the program's obligation to increase collector payments. The percentage increase also reflects that surplus funds were not used to offset 2021 budget and fee increases as it would only expand the impact of the increase expected next year.

The MMSW Stewardship Plan includes a requirement for Saskatchewan cost studies to fund 75% of program costs. The 2021 increase is \$2.1 million and a further increase is expected for 2022. The phased approach for implementing the cost study recognizes both the program's commitment to pay collectors based on Saskatchewan data and the current financial difficulties facing many stewards and other parties.

2021 Budget

MMSW BUDGET			
	2021	2020	YOY VARIANCE
OBLIGATION SHARE	75%	75%	
Supply Chain Costs	\$11,810,693	\$9,730,389	21.4%
Promotion & Education	\$75,000	\$75,000	0.0%
Program Management	\$1,572,100	\$1,568,500	0.2%
Program Management as % of total fees*	11.7%	16.2%	-4.5%
Total Costs (before surplus)	\$13,457,793	\$11,373,889	18.3%
Surplus Accumulation / (Drawdown)	\$ -	\$ -	
Planned Surplus/Deficit	\$ -	\$(1,701,321)	-100.0%
TOTAL FEE BUDGET	\$13,457,793	\$9,672,568	39.1%

* 2020 program management cost was reported as a percentage of total costs (i.e. before planned deficit) in last year's report, 2020 Restated

2021 Fee Schedule

The average 2021 fee rate increase of 43% from 2020 reflects both the budget increase and the changes in quantities supplied as reported by stewards. In addition, recognizing that MMSW operated in deficit in 2020 given fee rates were not recalculated, the budget reflects both a two-year decline in commodity revenues as well as a return to a break-even position.

2021 fee rates introduce the phased implementation of the Material Cost Index (MCI) for allocating program budgets to material fee categories. Material fee rates are based on 50% MCI and 50% Activity Based Costing (ABC) as an input to Step One of the Four-Step Fee Methodology.

With the partial introduction of MCI, fee rates for some material categories (primarily printed paper, aluminum and glass) increase significantly above the average fee rate increase. Other materials (plastics and some paper packaging) see lower than average increases. Further shifts amongst categories can be expected as MCI is fully implemented.

Low-volume fees for stewards supplying up to 5,000 kg increase by 42%, similar to the average fee rate increase.

MMSW FEE SCHEDULE (CENTS/KG)				
Category	Material	2021 Fee Rates (cents/ kg)	2020 Fee Rates (cents/ kg)	Variance %
PRINTED PAPER	Newsprint	16.00	5.00	220.0%
	Magazines and Catalogues	16.00	5.00	220.0%
	Telephone Books	16.00	5.00	220.0%
	Other Printed Paper	16.00	5.00	220.0%
PAPER PACKAGING	Corrugated Cardboard	19.00	11.00	72.7%
	Boxboard	19.00	11.00	72.7%
	Gable Top Cartons	38.00	27.00	40.7%
	Paper Laminates	38.00	27.00	40.7%
	Aseptic Containers	38.00	27.00	40.7%
PLASTICS	PET Bottles	33.00	26.00	26.9%
	HDPE Bottles	33.00	26.00	26.9%
	Plastic Film	50.00	45.00	11.1%
	Plastic Laminates	60.00	61.00	-1.6%
	Polystyrene	50.00	45.00	11.1%
	Other Plastics	50.00	45.00	11.1%
STEEL	Other Steel Packaging	18.00	15.00	20.0%
	Steel Aerosols	18.00	15.00	20.0%
	Steel Paint Cans	18.00	15.00	20.0%
ALUMINUM	Aluminum Food & Other Containers	34.00	15.00	126.7%
	Other Aluminum Packaging	34.00	15.00	126.7%
GLASS	Clear Glass	10.00	5.00	100.0%
	Coloured Glass	10.00	5.00	100.0%

2021 Low-Volume Fees

MMSW LOW-VOLUME FEES			
TOTAL SUPPLIED	2021	2020	YOY VARIANCE
1,000 - 2,499	\$440	\$310	\$130 or 42%
2,500 - 5,000	\$920	\$650	\$270 or 42%

2019 Review

MMSM's recovery rate for 2019 increased to 80.3%. The 2018 rate was based on a three-year average that incorporated supplied tonnes and the previously used generated tonnes. MMSM is now aligned with the methodology for material recovery performance used by other programs in Manitoba and across Canada. Both supplied and recovered tonnes for 2019 decreased from the previous year, largely due to the continuing shift to lighter packaging material, less printed paper and more residue.

High levels of accessibility and awareness of recycling services are being maintained. Seven new communities were welcomed to the MMSM program in 2019. Staff worked closely with these communities to help establish and support their recycling programs.

Promotion & Education activities continued to focus on community outreach, particularly to schools and First Nations. Students from 168 schools collected a staggering 1.2 million plastic bags during the Bag up Manitoba Plastic Bag Challenge.

MMSM PERFORMANCE			
METRIC	2019	2018	YOY VARIANCE
RECYCLING PERFORMANCE			
Recovered Tonnes	68,232	75,900	-10.1%
Supplied Tonnes	85,001	88,532	-4.0%
Recovery Rate*	80.3%	77.2%	3.1%
Population Serviced by PPP Program	1,208,607	1,206,959	0.1%
Recovered kg per capita	56.5	62.9	-10.2%
ACCESSIBILITY PERFORMANCE			
# Households Serviced	512,457	516,289	-0.7%
% Households with Access to PPP Program	95%	94%	0.1%
P & E Cost per capita**	\$0.74	\$0.76	-1.8%
% of residents aware and using recycling services	93%	93%	0.0%
COST PERFORMANCE			
Recovered Tonnes	68,232	75,900	-10.1%
Net Cost***	\$37,642,703	\$36,371,598	3.5%
Net Cost per Tonne	\$552	\$479	15.1%
Net Cost per Capita	\$31	\$30	3.4%

* 2019 Recovery Rate is no longer a three-year average, but instead only one year of recovered tonnes divided by supplied tonnes

** Total Municipal and MMSM P&E

*** Net costs include 100% of municipal costs and 100% of commodity revenues. Also included are MMSM's Promotion & Education, regulatory, market development and all other program management costs.

2020 Update

During the initial onset of the COVID-19 pandemic, MMSM marked its 10th anniversary on April 1, 2020. In the past decade, Manitoba has made great strides in recycling by increasing recovery rates and consistently improving recycling habits and performance. Program staff have resumed partial in-office attendance with a focus on promoting safety amongst collectors who are managing increased contamination from personal protection items in recycling.

The Recyclepedia web tool and mobile app was introduced to help Manitobans determine what's accepted in their recycling bins and supports reduced contamination. The Recyclepedia offers helpful suggestions to recycling questions in 13 different languages.

MMSM met with the provincial government and other stakeholders earlier this year to discuss the potential impact of the elimination of plastic bags that was included in the Premier's 100-Day Action Plan.

Along with other Producer Responsibility Organizations, MMSM is collaborating with stakeholders to ensure the delivery of convenient, accessible recycling to northern, remote and First Nations communities in Manitoba. Staff participated in an Aboriginal Cultural Awareness and Engagement workshop and completed an Indigenous Cultural Empowerment course. Five communities participated in the Winter Road Project that collected bags of beverage containers for recycling.

The program continues to work with the Manitoba Government and newspaper stewards to fulfill newspapers' obligations. An agreement that provided payment for the recycling of newspaper newsprint fees from the provincial sales tax collected from newspaper purchases was terminated in 2017.

2021 Budget and Fee Schedule

The MMSM steward fee budget for 2021 is \$26.4 million, a 9.4% increase from 2020. The increase is mainly due to increased supply chain net costs, primarily from reduced commodity revenues. As MMSM uses a three-year rolling average for commodities, the impact of significant market decreases that began with the 2018 China Ban is more fully realized. To maintain adequate reserves in relation to the program's budget requirements, there is a \$0.5 million accumulation to the surplus for 2021.

2021 Budget

MMSM BUDGET			
	2021	2020	YOY VARIANCE
OBLIGATION SHARE	80%	80%	
Supply Chain Costs	\$22,228,453	\$20,763,059	7.1%
Promotion & Education	\$740,000	\$715,000	3.5%
Program Management	\$2,746,407	\$2,431,289	13.0%
Total Fee Obligation (before surplus)	\$25,714,860	\$23,909,348	7.6%
Program Management as % of Total Fees	10.7%	10.2%	0.5%
Surplus Accumulation / (Drawdown)	\$639,171	\$170,977	273.8%
TOTAL FEE BUDGET	\$26,354,031	\$24,080,325	9.4%

2021 Fee Schedule

This is the fifth year that fees have been calculated using the Four-Step Fee Methodology and 2021 fee rates introduce the phased implementation of the Material Cost Index (MCI) for allocating program budgets to material fee categories. Material fee rates are based on 50% MCI and 50% Activity Based Costing (ABC).

The average change in fee rates for 2021 is a 14% increase from 2020. The increase is a result of the budget increase and fewer supplied tonnes.

All fee rate changes are highly influenced by the partial introduction of MCI. Rates for some material categories (primarily printed paper, aluminum and glass) increase significantly above the average fee rate increase. Aluminum was also affected by a notable decline in commodity revenue. Other materials (paper packaging and some plastics) see lower than average increase, or decrease. Further shifts amongst categories can be expected as MCI is fully implemented.

MMSM FEE SCHEDULE (CENTS/KG)				
Category	Material	2021 Fee Rates (cents/ kg)	2020 Fee Rates (cents/ kg)	Variance %
PRINTED PAPER	Newsprint	19.60	10.29	90.5%
	Magazines and Catalogues	21.48	15.54	38.2%
	Telephone Books	22.81	16.91	34.9%
	Other Printed Paper	17.27	11.77	46.7%
PAPER PACKAGING	Corrugated Cardboard	30.31	31.78	-4.6%
	Boxboard	30.31	31.78	-4.6%
	Gable Top Cartons	54.99	71.39	-23.0%
	Paper Laminates	54.99	71.39	-23.0%
	Aseptic Containers	54.99	71.39	-23.0%
PLASTICS	PET Containers and Bottles	44.91	43.62	3.0%
	HDPE Containers and Bottles	45.96	52.25	-12.0%
	Plastic Film	60.02	51.30	17.0%
	Plastic Laminates	60.02	51.30	17.0%
	Polystyrene	60.02	51.30	17.0%
	Other Plastics	60.02	51.30	17.0%
STEEL	Steel Food & Beverage Cans	23.11	17.85	29.5%
	Steel Aerosols	23.11	17.85	29.5%
	Other Steel Containers	23.11	17.85	29.5%
ALUMINUM	Aluminum Food & Beverage Cans	21.18	-7.32	389.3%
	Other Aluminum Packaging	24.85	10.89	128.1%
GLASS	Clear Glass	11.51	5.00	130.1%
	Coloured Glass	11.51	5.00	130.1%

Flat Fee Consultation

The program will be consulting with stewards about the introduction of flat fees for low-volume stewards (supplying less than 5,000 kg annually) for 2022. With flat fees, eligible stewards would have the option to continue filing their detailed reports and paying material fee rates or they could choose to pay the flat fee instead. Feedback and comments from the consultation will be considered by the board after November.

For information only, the below table illustrates flat fees based on 2021 data:

TOTAL SUPPLIED (KG)	FLAT FEE
1,000 - 2,499	\$1,500
2,500 - 4,999	\$2,500

2019 Review

Recycled tonnes managed through the Blue Box in 2019 declined more than generated tonnes (an estimate of the total quantity of residential PPP created by households) compared to the previous year, resulting in a recycling rate of 57.3%. The decline in recycled tonnes is primarily due to less paper and newsprint being collected and marketed and higher residue rates from higher contamination standards imposed by end markets. Recycled kilograms per capita decreased in 2019 reflecting reduced tonnes and an increase in the population. Access to recycling programs is being maintained at very high levels.

Total reported net cost of the Blue Box system by municipalities for 2019 was \$336.3 million, an increase of 12.4 % from 2018, due primarily to reduced commodity revenue, as anticipated from the China ban. As a result, net cost per tonne and per capita also increased from the previous year.

The transition of the Blue Box Program to a producer-operated system was initiated by a direction letter from the Minister of the Environment, Conservation and Parks on August 15, 2019. Shifting the Blue Box Program from the current shared responsibility model, in which municipalities and industry share costs, to full producer responsibility means that the producers of packaging and paper materials will eventually have both operational and financial responsibility for achieving performance obligations.

STEWARDSHIP ONTARIO PERFORMANCE			
METRIC	2019	2018	YOY VARIANCE
RECYCLING PERFORMANCE			
Recycled Tonnes	729,906	780,555	-6.5%
Generated Tonnes	1,274,310	1,296,207	-1.7%
Recycling Rate	57.3%	60.2%	-2.9%
Provincial Recycling Target	60.0%	60.0%	
Population Served by PPP Program	13,205,235	13,078,155	1.0%
Recycled kg per capita	55.3	59.7	-7.4%
ACCESSIBILITY PERFORMANCE			
# Households Served	5,333,161	5,278,332	1.0%
% Households with Access to PPP Program	94.0%	94.0%	0.0%
P & E Cost per capita*	\$0.62	\$0.61	1.7%
COST PERFORMANCE			
Recycled Tonnes	729,906	780,555	-6.5%
Net Cost**	\$336,293,874	\$299,307,268	12.4%
Net Cost per Tonne	\$461	\$383	20.2%
Net Cost per capita	\$25	\$23	11.3%

* Total municipal and SO P&E

** Net cost includes 100% of supply chain costs, commodity revenues, P&E, regulatory, market development and program management costs

2020 Update

The Minister's initial direction required Stewardship Ontario to submit a transition plan to the Resource Productivity and Recovery Authority (RPRA) by June 30, 2020, guided by the following principles:

- Parties affected by the transition should be consulted and have opportunities for meaningful engagement during the development and implementation of the plan.
- The plan shall support competition in, and not adversely affect, Ontario's current and future marketplace for the collection and recovery of paper products and packaging.
- Ontarians' access to and experience with the Blue Box Program shall not be negatively impacted during the transition.

While the transition plan was in development and consultations were being planned, in April the Minister provided an extension to the original timeline in recognition that many stakeholders were unavailable to

engage in meaningful consultations due to disruptions from the COVID-19 pandemic.

Stewardship Ontario consulted with all stakeholders on its transition plan proposals in a series of June webinars. The Blue Box Program Transition Plan was submitted to the Resource Productivity and Recovery Authority (RPRA) on August 31, 2020. The plan is available on the RPRA website.

It is expected that RPRA will approve the plan by December 31, 2020. During this time, the Ontario government will develop and consult on regulations to support the new responsibility framework for the Blue Box Program. The first communities will be transitioned beginning January 1, 2023, with the entire province operating under the new framework by December 31, 2025.

In the meantime, Stewardship Ontario expects operations to remain "business as usual". Stewards will be updated as the transition process proceeds.

2021 Budget and Fee Schedule

2021 Budget

An arbitration decision in June clarified the costs to be included in the Blue Box steward funding obligation, and RPRA has established a new methodology for determining the Municipal Cost Containment (an amount deducted from the reported costs). These two decisions have enabled RPRA to establish a final steward obligation to municipalities for 2020 and 2021 and clarified how the steward obligation will be determined for the remainder of the transition.

The 2021 fee budget of \$148.6 million is a 7.4% increase from 2020. The increase is primarily due to a reduction in

commodity revenue, partially offset by cost containment. While commodity revenues are calculated on a rolling three-year average to mitigate volatility, the impact of significant and sustained downward pressure on commodity prices within the recycling industry remains. Increased regulatory expenses relate to the transition.

A projected 2021 deficit of \$7.4 million will be funded from the 2020 surplus and a transfer from the plastics market development account, which has been used to reduce fees for plastic stewards.

STEWARDSHIP ONTARIO BUDGET			
	2021	2020	YOY VARIANCE
OBLIGATION SHARE	50%	50%	
Payments to Municipalities	\$146,692,000	\$126,031,000	16.4%
Program Management*	\$5,292,000	\$5,613,000	-5.7%
Promotion & Education	\$400,000	\$410,000	-2.4%
Regulatory	\$3,616,000	\$2,400,000	50.7%
Planned Surplus/(Deficit)	\$(7,389,000)	\$3,969,000	-286.2%
TOTAL STEWARD FEES	\$148,611,000	\$138,423,000	7.4%

* Includes program management, field studies, legal & audit fees, and research projects for 2020 where the approved amount was funded through reserve

2021 Fee Schedule

Stewardship Ontario's 2021 material fee rates have been calculated based on the phased implementation of the Material Cost Index (MCI) and the Four-Step Fee Methodology for allocating the program budget to material fee categories. Previously, fee rates were calculated based on Activity Based Costing (ABC) and the approved Three-Factor Methodology.

The fee rates in the below schedule reflect phased implementation of Four-Step/MCI with 50% of the fees determined by the new model and 50% determined by Three-Factor/ABC. These fees are subject to RPRA approval of the Blue Box Transition Plan, including changes to the Rules. If the plan is not approved, or approved with the condition that the Four-Step/MCD methodology is not adopted, Stewardship Ontario will need to set fees using the Three-Factor/ABC methodology. Revised draft Rules to implement Four-Step/MCD and fee rates calculated using the Three-

Factor/ABC approach can be found on the Stewardship Ontario website.

Average fee rates for 2021 increase 8% from 2020, consistent with the budget increase. Many factors are driving change amongst the fee rates, including the impact of declining revenues, increasing costs and changes in supply and managed quantities. Major influences are also driven by the phased implementation of the Four-Step Fee Methodology and the MCD methodology. Fee rates for some material categories (primarily glass, newsprint and some paper packaging) increase above the average fee rate increase. Other materials (primarily plastics and some printed paper) see lower than average increases, or decrease. Plastics rates reflect the transfer of market development funds. Further shifts amongst categories can be expected as MCI is fully implemented.

STEWARDSHIP ONTARIO FEE SCHEDULE (CENTS/KG)				
Category	Material	2021 Fee Rates (cents/ kg)	2020 Fee Rates (cents/ kg)	Variance %
PRINTED PAPER	Newsprint - CNA/OCNA	0.69	0.63	9.2%
	Newsprint - Non-CNA/OCNA	11.95	6.90	73.2%
	Magazines and Catalogues	9.13	12.70	-28.1%
	Telephone Books	9.22	13.25	-30.5%
	Other Printed Paper	14.03	16.00	-12.3%
PAPER PACKAGING	Corrugated Cardboard	13.91	11.28	23.3%
	Boxboard	13.91	11.28	23.3%
	Gable Top Cartons	24.49	28.33	-13.6%
	Paper Laminates	24.49	28.33	-13.6%
	Aseptic Containers	24.49	28.33	-13.6%
PLASTICS	PET Bottles	20.08	17.39	15.5%
	HDPE Bottles	15.41	13.92	10.7%
	Plastic Film	31.13	36.67	-15.1%
	Plastic Laminates	31.81	36.67	-13.3%
	Polystyrene	31.21	36.67	-14.9%
	Other Plastics	31.94	36.67	-12.9%
STEEL	Steel Food & Beverage Cans	7.47	6.97	7.1%
	Steel Aerosols	7.47	6.97	7.1%
	Steel Paint Cans	7.47	6.97	7.1%
ALUMINUM	Aluminum Food & Beverage Cans	3.24	5.16	-37.2%
	Other Aluminum Packaging	15.22	13.32	14.3%
GLASS	Clear Glass	8.31	4.07	104.1%
	Coloured Glass	9.71	7.95	22.1%
IN-KIND	In-Kind Amount	\$5,356,510	\$4,860,588	10.2%



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